

September – October  
2000



WASHINGTON STATE  
GAMBLING COMMISSION

# Focus n Gambling

## AGENCY CONFERENCE 2000 – INTO THE MILLENNIUM

*By Bob Berg, Deputy Director of Operations*

For two days in late September, employees of the Gambling Commission met for intense training in performance coaching, communication, and professional development. Dr. Eric Allenbaugh, a noted expert in organizational development, conducted the training modules. The conference was fast paced, loaded with great information, and featured each unit of the agency sharing the intricacies of their work with all commission employees during an intra-agency trade fair.

In addition to the professional development training offered at the conference, the primary purpose was to wrap up a major agency initiative that has been underway for the past six months. That effort was to review our existing agency mission, update our understanding of the environment in which we operate, and to assess goals and objectives we have in place to achieve our mission.

We have worked to review our mission statement, clarify and refine our vision, become very clear about our values and the culture of the organization, and identify strategic planning initiatives to implement our vision and carry out our mission. The process by which all of this was developed literally involved every employee with the Gambling Commission. Small unit meetings, facilitated by the "mission, vision, and culture team" solicited

input and ideas from across the agency. We then reviewed, compiled, and collated the information and the draft mission statement. The vision and values concepts were reviewed four times (by selected staff and executive management) prior to final adoption at the agency conference.

Through this process, we have now formally updated our mission statement, our vision of how we want the Gambling Commission to grow, and what our agency culture should be (our values).

### OUR MISSION

Protect the public by ensuring that gambling is legal and honest.

### OUR VISION

Be a premier gambling regulatory agency committed to:

- ♦ A balance between policy setting, training & education, and monitoring & enforcement;
- ♦ A principled, fair and consistent regulatory environment;
- ♦ A positive, productive and fulfilling working environment that rewards our achievements, provides a safe learning environment, encourages growth, and attracts and retains talented employees.

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### Commissioners:

**Liz McLaughlin, Chair**  
**George Orr, Vice Chair**  
**Judge Marshall Forrest (Ret.)**  
**Curtis Ludwig**  
**Alan Parker**

### Ex-Officio Members:

**Senator Margarita Prentice**  
**Senator Shirley Winsley**  
**Representative Alex Wood**  
**Representative Jim Clements**

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**Administration:**

Executive Director Ben Bishop  
Executive Asst. Shirley Corbett

**Human Resources:**

Director Phyllis Halliday

**Policy & Government Affairs:**

Deputy Director Ed Fleisher

**Program Managers:**

*Business Office:*

Bob Sherwood

*Communications & Legal Department  
and Financial Reporting Services:*

Amy Patjens

*Electronic Gambling Laboratory:*

Dallas Burnett

*Information Services:*

Tom Means

**Operations:**

Deputy Director Bob Berg

**Field Operations:**

Assistant Director Cally Cass-Healy

**Program Managers:**

*Eastern Region:*

James Dibble

*Northwest Region:*

Greg Thomas

*Southwest Region:*

John Brinsmead

*Tribal Gaming Unit:*

Mike Tindall

**Licensing Operations:**

Assistant Director Derry Fries

**Program Manager:**

*Licensing Services:*

Fred Wilson

*Organizations/Individuals*

Artis Collins

*Financial Investigations Unit:*

Monty Harmon

*Intelligence Unit:*

Neal Nunamaker

**Special Investigations:**

**Program Manager:**

Paul Swartz

**Editor:**



Cindy Reed

**Layout & Design:**

Vicki Sprague

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**OUR VALUES:**

We individually and collectively challenge ourselves to create and maintain a professional working culture that values teamwork and

**PRIDE:**

**P** - Principled decision making

**R** - Respect

**I** - Integrity

**D** - Diversity

**E** - Empowerment with accountability

We have also identified four core strategies to implement our mission, become our vision, and achieve mastery as an exceptional organization. Those strategies are to:

- ✓ Partner for results
- ✓ Foster performance excellence
- ✓ Create a great place to work
- ✓ Progress through technology

The work continues with a clear understanding of who we are, why we exist, where we are going, and how to get there. While we clearly had an existing mission statement along with goals and objectives to do our work, this process of revisiting and updating our mission, vision, and values has led to a revitalization in our management team along with a renewed sense of commitment by agency staff.

We have always worked in partnership with local law enforcement to protect the public and with our licensees towards voluntary compliance with our rules and regulations. We look forward to our continued excellent working relationship with local law enforcement and licensees as we "protect the public by ensuring that gambling is legal and honest." ?



Agency staff break out into small work groups to practice the performance coaching, communication, & professional development that Dr. Allenbaugh advocates.





*Blue Dot Director Ben Bishop. The Blue Dot represents the level of excellence towards which the Gambling Commission is striving.*

*Delores Motz and Joelene McCoy, Communications & Legal /Financial Reporting Services Dept. preparing for the Trade Show.*



*Human Resources' (HRD) Trade Fair booth. Each section created a Trade Fair Booth to provide information to staff of their contribution within the agency. Congratulations to HRD who won first place.*

*Mike Tindall of TGU at the blackjack table explaining to staff some of the activities regulated within the Tribal Gaming Unit.*



*Employee Awards luncheon, Assistant Director Derry Fries presents an award to Maylene Wynia-Cougar, Forms & Records Dept. She truly is our Energizer Bunny. She keeps going and going and going...*



*Sherri Winslow tries her hand at the Amusement Games booth at the Trade Fair. The Gambling Commission regulates amusement games to ensure they are honest and legal.*





## Washington State Gambling Commission 2000 COMMISSION MEETING SCHEDULE

**November 16 & 17**

**Shilo Inn**

707 Ocean Shores Blvd. NW  
Ocean Shores, WA 98569 – (360) 289-4600

*No meeting in December, 2000.*

## NET RETURN CALCULATIONS

*By Sherri Winslow, Special Assistant to the Director*

During the study session at the October Commission meeting several options for net return requirements were discussed. The result was an alternative that was considered by many a simpler method for determining what a bingo operation needs to return for its charitable or nonprofit purposes. This new option will be added to the November Commission meeting agenda as an alternative to the original rule proposed for WAC 230-20-059.

The primary change to the rule is that it determines the return requirement based on a percentage of gross receipts rather than net income or net return. An excerpt of the major provisions of this alternative are as follows:

Bingo licensees shall retain bingo gross receipts as follows:

License Classes A-F, zero percent, plus a positive cash flow;

License Classes G-K, two percent; and

License Classes L and above, three percent.

Organizations failing to retain the gross receipts required percentage for any two calendar quarters shall limit prizes paid to seventy-four percent until compliance is met or the director may institute action to revoke their license. Failure to meet the gross receipts and/or prizes paid

percentage in any subsequent quarters shall result in administrative action.

We will be discussing this alternative and the other net return rules at the next November study session at Ocean Shores. If you have comments and are unable to attend the meeting, please submit them to Sherri Winslow at the Lacey Headquarters office (P.O. Box 42400, Olympia, WA 98504-2400) or via e-mail at [sherriw@wsgc.wa.gov](mailto:sherriw@wsgc.wa.gov). ?





## KUDOS TO SILVER DOLLAR CASINO IN TACOMA!

The WSGC would like to acknowledge the recent assistance from the staff at Silver Dollar Casino in Tacoma. The staff was alert and noticed what appeared to be illegal sports betting activity taking place in their facility. They immediately notified their WSGC agent and cooperated with agents in stopping the suspicious activity in their facility.

The actions of the staff and management

involved are the type of actions that reflect favorably on them and protects their license. Those persons in control of licensed establishment who DO NOT stop the activity place their license in jeopardy.

•WAY TO GO, SILVER DOLLAR TACOMA!

## SPORTS WAGERING IN WASHINGTON

*By Ed Fleisher, Deputy Director of Policy and Government Affairs*

The Gambling Commission receives many inquiries, especially this time of year, about sports betting. What is legal in Washington and what is not? As with many of the questions we receive, the answer is – it depends. The purpose of this article is to clarify the position of Commission staff on sports betting for businesses, licensees and individuals.

The basic rule on gambling in Washington is that **anyone who engages in any form of gambling or materially aids any gambling activity is guilty of the crime of “Professional Gambling”, unless the specific activity is authorized by law.** (See RCW 9.46.0269.)

So what is authorized? Sports wagers authorized in Washington fall into two categories:

- 1) activities authorized by specific statutes such as “Sports Pools” (RCW 9.46.0335), “Golfing Sweepstakes” (RCW 9.46.341), “Bowling Sweepstakes” (RCW 9.46.0345), “Turkey Shoots” (RCW 9.46.0361), “Fishing Derbies” (RCW 9.46.293), “Wildlife Raffles” (RCW 9.46.400) and Horse Racing (Chapter 67.16 RCW); and
- 2) wagering by individuals if allowed by the “Player Exception Rule” (RCW 9.46.0265).

To determine whether the activity is authorized, consider the following questions:

### WHO IS INVOLVED IN THE GAMBLING ACTIVITY?

Washington law and the “player exception rule” makes an important distinction between gambling which involves only natural persons (individuals) and gambling which involves businesses, corporations, partnerships and other associations of persons. (For the purposes of the article I will use the words “individuals” and “businesses” to distinguish between these two categories.)

### WHAT CAN A BUSINESS DO?

As a general rule **businesses may not be involved in any way in sports wagering, except for sports pools as set forth in RCW 9.46.0335 (see below).** The general rule applies whether the business is directly involved in the wagering or is materially aiding the gambling activity. Examples of materially aiding would include permitting use of the business premises, providing supplies or equipment, arranging or operating the game, or inviting persons to play. For example, if a bookmaker is taking bets at your business and you do nothing about this, you are “materially aiding gambling.” This is illegal for all involved and also jeopardizes your gambling license. RCW 9.46.0269(2) states that if a person having substantial proprietary or other authoritative control over any premises permits the premises to be used for the purpose of conducting illegal gambling activity, that person shall be considered as engaged in professional gambling.

### WHAT CAN AN INDIVIDUAL DO?

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As a general rule, **individuals may engage in sports wagering** so long as only individuals are involved and no one makes any money other than their gambling winnings. For example, it is OK for two people to bet \$20.00 on a football game, as long as the winner would get the entire \$20.00 from the loser and no one else would profit from this. Individuals conducting sports pools are subject to the special rules on sports pools discussed below.

#### **IS ANYONE TAKING THE VIG?**

Gambling is always illegal in Washington if anyone is taking a vigorish, “juice”, fee, or any other form of payment other than their winnings as a player. For example, if you make a \$20.00 bet on a football game and, upon losing, have to pay a third party \$22.00 (or any amount greater than what you bet), this would be illegal. The extra \$2.00 is called the “vig” or “juice.” Even though this 10% fee may not sound like much extra, it is this “transaction fee” that makes the activity illegal.

#### **IS IT A SPORTS POOL?**

Sports pools (also called Sports Boards) are a specific type of sports wagering authorized by RCW 9.46.0335 and special rules apply. This type of sports pool involves a 100 square board on which the player picks a square and numbers representing game scores are randomly assigned to each square. Sports pools may be conducted by businesses, but only one pool may be conducted on any single athletic event. The maximum price for a square on a sports pool is one dollar. Unlike other sports wagering, **the rules for this type of sports pool, including the \$1.00 maximum wager, apply equally to both businesses and individuals.** If you plan to conduct this type of sports pool, be sure to familiarize yourself with the law. For example, whether operated by a business or a person, it is not legal to have a board where you charge more than \$1.00, have more than one board per athletic event, or to offer 10 squares, instead of 100. However, there is no limitation on the number of free “promotional” boards you may offer, as long as no consideration of any nature is required to play.

#### **WHEN CAN BUSINESSES PARTICIPATE IN, CONDUCT OR FACILITATE SPORTS WAGERING?**

Almost never! The only time a business can be involved in sports wagering in any way is when the business is conducting a sports pool that meets the

specific requirements of RCW 9.46.0335 (see above).

#### **WHEN CAN INDIVIDUALS PARTICIPATE IN, CONDUCT OR FACILITATE SPORTS WAGERING?**

Individuals may participate in sports wagers if they are “players” as defined in RCW 9.46.0265. The requirements of that statute include: only individuals (natural persons, **not businesses**) may be involved in the activity; no one may receive any profit from the activity other than their gambling winnings; and all players must participate on equal terms. Individuals participating in the gambling activity may also help arrange or facilitate the game, but they may not be paid any fee for doing so. “Bracket” pools during playoffs (the NCAA basketball tournament, for example) are OK as long as an individual (not a business) is running this (collecting the bets) and all of the money goes back to the player who happened to pick all of the right winning teams. We strongly suggest that in these scenarios, if no one picks the right team, the person running the pool states up front how the money will be distributed. An easy solution is to give it to a charity. It’s not OK for the person running the pool to just keep the money or to take any amount of the bets to compensate him for his time and effort.

(Note: Commission staff has determined in the case of “fantasy sports leagues” that the player conducting the game may use part of the entry fee to cover direct expenses for materials, supplies, copying, etc. Such expenses cannot include remuneration for time spent working on the activity. For those not familiar with fantasy sports leagues, participants pick players from different teams to make up their own fantasy team. Points are accumulated during the season based on the performance of these specific players.)

Hopefully, this answers your questions on sports wagering in Washington. If you have specific questions that are not answered here, please submit them in writing to the Gambling Commission. We are happy to help you make sure that what you are doing is legal. We will continue this topic in future newsletters, possibly in a question/answer format from questions we receive. ?



## QUALITY PROGRAM REPORT

*By Amy Patjens*

A few months ago, we told you about the Gambling Commission's Quality Program. The program was developed in response to Governor Locke's Executive Order challenging state agencies to improve the quality, efficiency, and effectiveness of the public services they provide.

We are pleased to announce that a team from our Licensing Division was recently recognized for a quality improvement. This improvement has enabled the Commission to run criminal background checks faster, which allows operators to employ new workers faster.

Here's a little more information about the change...the Gambling Commission conducts criminal background checks for licensing applicants using the State Patrol's computerized system. In the past, staff waited until an application file had been set up by one unit and then transferred to another unit, before beginning the background check. In high volume times, this could take several weeks.

A team of several units determined they could begin running the checks much faster by taking advantage of the agency's new computer system. The checks are now conducted "automatically" as soon as minimal information is entered into the agency's computer system. This is usually done within 24 hours.

The results have been super:

- ★ Reduced processing time for new applications from 25 days to 8 days, which allows employees to go to work faster.
- ★ Increased the number of background checks run by the unit per month by 30%.
- ★ Saved nearly 2,500 hours in staff time.

Congratulations to the Team on coming up with a creative solution to a problem.



***The members of team are pictured with Director Bishop (left) and include:***

*Neal Nunamaker, Dave Trujillo, Ronaldo Ygon, Rodney Joubert, Ruth Zamora, Loren Husted. Not pictured: Dawn Warren, Lois Brown-Coleman, and Mona Nelson*





## Financial Reporting Services Reports

The following licensees failed to submit their quarterly reports when due. They have submitted their reports now and paid the appropriate fine based on the number of late reports in the preceding one-year period.

<u>LICENSEE/LOCATION</u>	<u>FINE</u>	<u>YR/QTR</u>
Barney's Tavern/Cashmere	\$200	00/2
Deming Steakhouse/Deming	\$200	00/2
Dragons Lair/Vancouver	\$200	00/2
Peter B's Bar & Grill/Chelan	\$200	00/2
Roundup Café/Washougal	\$200	00/2
Satellite Restaurant & Lounge/Kennewick	\$200	00/2
The 3B/Bellingham	\$200	00/2
Thumpers Tavern/Hoquiam	\$200	00/2
Workshop Pub/Blaine	\$200	00/2
VFW # 00969/Tacoma	\$200	00/2
Original Rome Restaurant/Arlington	\$400	00/2
Spar Tree Tavern/Granite Falls	\$400	00/2

***Following is the schedule of fines for reports submitted late. If no report is submitted, the licensee will be issued a statement of charges.***

### **Schedule of Fines**

First Offense.....	\$200
Second Offense.....	\$400
Third Offense.....	\$600
Fourth Offense.....	No Fine – A Statement of Charges is automatically issued.

*Subsequent offenses may lead to loss of license*





## WASHINGTON STATE GAMBLING COMMISSION ADMINISTRATIVE ACTIONS



LICENSEE	VIOLATION	CASE OUTCOME
Amusement Services, Music-Vend, Seattle	Placing Commercial Amusement games in unlicensed premises.	A Statement of Charges was issued. The licensee agreed to a 30 day suspension; 15 of those day are deferred, the remaining 15 days were vacated by payment of a \$2,913 fine. The licensee also agreed to reimburse the Commission for its investigative and administrative costs of \$687.
Larry Muchow (Golden Nugget Casino), Tukwila	Illegal Bookmaking – Accepting bets and passing them on to an alleged bookmaker.	An Order of Summary Suspension was issued. The Administrative Law Judge upheld the Summary Suspension and ordered Mr. Muchow's license and imposed a ten (10) year period of ineligibility to apply for licensure. Mr. Muchow appealed. The appeal was heard at the October Commission meeting. Mr. Muchow did not appear for the review, and the Commission upheld his license revocation. Mr. Muchow may appeal this decision to Superior Court.
Golden Nugget Casino, Tukwila	Illegal Bookmaking Occurring on the Premises.	An Order of Summary Suspension was issued. An agreement was reached, wherein Golden Nugget agreed to the revocation of its licenses and ineligibility for licensure for ten years.
Lake Washington Youth Soccer, Bothell	Operating bingo with, and failure to prevent a negative cash flow.	The Director issued an Order of Summary Suspension. An agreement was reached, and they surrendered their bingo license and ceased operating on September 30, 2000.
Bear's Amusements/ Odyssey I University Place	Placing Commercial Amusement games in unlicensed premises.	The Director issued charges for suspension. The licensee agreed to a 30 day suspension, with 5 days deferred for one year, and 25 days vacated with payment of a \$8,424 penalty. The licensee also agreed to reimburse the Commission \$1,685 in investigative and administrative costs.
Rosebrook, Susan (Card Room Employee at Golden Nugget), Tukwila	Illegal Bookmaking – Accepting bets and passing them on to an alleged bookmaker.	The Director issued an Order of Summary Suspension. The licensee requested a hearing. However, prior to the hearing date, Ms. Rosebrook withdrew her hearing request. An Order of Default was entered at the September Commission meeting, and her license was revoked.



## WASHINGTON STATE GAMBLING COMMISSION ADMINISTRATIVE ACTIONS CONTINUED

LICENSEE	VIOLATION	CASE OUTCOME
Braginskiy, Sergey (Card Room Employee), Shoreline	Defrauding employers – Overpaid himself on tip wagers at Goldies Shoreline. Re-played tip wagers at Kenmore Lanes.	The Director issued a Statement of Charges for revocation. The licensee did not request a hearing; therefore, an Order of Default was issued at the October Commission meeting, and Mr. Braginskiy's license was revoked.
Schule, Dixie (Card Room Employee at Grumpy's Too), Seattle	Participation in illegal blackjack games.	A Statement of Charges for the revocation of Ms. Schule's license was issued in connection with the 1999 Washington Blackjack (Troy Bowers) cases. The licensee requested a hearing. The Administrative Law Judge dismissed the staff's action. Commission staff appealed; this was heard at the March Commission Meeting. The Commissioners remanded the matter back to the Administrative Law Judge for additional testimony by the local field agent. After a supplemental hearing, the Administrative Law Judge again issued an order dismissing the charges. Commission staff appealed. At the October Commission meeting, the Commission voted to overturn the Administrative Law Judge's ruling, and ordered a six month suspension. Ms. Schule may appeal to Superior Court.

### Mission Statement

**Protect the public by ensuring that  
gambling is legal and honest.**



## ADMINISTRATIVE RULES CHANGES

**The following rules were passed at the October meeting.**

### Charitable/nonprofits Owning a Commercial Gambling Establishment.

#### **WAC 230-04-206**

#### **Ownership of a commercial gambling establishment by charitable and nonprofit organizations.**

Competition for players has increased and business has declined at charitable and nonprofit organizations. The Seattle Cascade Booster Club and other charitable and nonprofit organizations have expressed interest in purchasing commercial gambling establishments as a way to increase revenue for their organizations.

The policy on this issue is unclear. This proposal was on the agenda to generate further discussion. This rule was discussed at the June meeting and was Up for Discussion and Possible Filing at the July and August meetings. At the June meeting, the applicable laws were discussed. Furthermore, the following three versions of this rule were brought forward at the July meeting: Charitable and nonprofit organizations may:

**Original version:** Own no more than 49% of a commercial gambling business;

**Alternative #1:** Not own any part of a commercial gambling business; or

**Alternative #2:** Own an entire interest in a commercial gambling business.

**At the August meeting, the Commissioners chose Alternative #1.** During the discussion before the vote was taken, the Commissioners made a policy statement to the effect that they support the work charities do - but don't feel the legislature intended them to operate house-banked rooms that are open to the public. The licensees were encouraged to pursue the idea

with legislature if they wished to see this activity authorized. Each Commissioner spoke supporting charities, but not supporting this concept.

There was extensive discussion on this topic at the October meeting. The adopted version states these organizations cannot create a for-profit organization. Commissioner Forrest was the one dissenting vote. He felt it is not an expansion of gambling to allow these organizations to open a public card room. There was testimony by nonprofits requesting that nonprofits be allowed to create a for-profit organization and have them approved on a case by case basis by the Commission. Several licensees felt that only a few entrepreneurial folks may attempt a commercial gambling operation - organizations that owned their own building and are trying to find a way to get use out of the building (as bingo is only operated 3 days a week, per law).

### Surprise Punchboard/Pull-tab prizes

#### **WAC 230-30-070**

#### **Control of prizes – Restrictions – Bonus prizes – Displaying – Procedures for awarding.**

For the past twenty-five years, "surprise" merchandise prizes have been allowed for punch board/pull-tab games by policy. However, there are no rules in place regarding these games. A "surprise" merchandise prize is a merchandise prize that is wrapped up in some way so the customer cannot see the prize being offered, making it a surprise. These surprise merchandise games have been popular and fun for customers. The games have run smoothly over the years with few, if any, regulatory complaints or concerns.

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It was decided at the October meeting that “surprise” prizes may be offered, however the actual cost to the owner will not be required to be disclosed on the flare or the prize itself as had been previously discussed. Licensees are allowed to use the 50% mark-up when calculating the value of merchandise prizes and are still required to document that they have met the 60% minimum payout requirement.

#### Promotional Contests of Chance

During the 2000 Session, legislation (SSB 6373) passed regarding how promotional contests of chance may be conducted. This new law became effective June 8, 2000. Under the old law, RCW 9.46.0355, specific methods were listed as to what a participant may be required to do to enter a promotional contest of chance. The new law simplifies contest procedures by replacing specific entry requirements with basic guidelines.

As long as a person is allowed to enter a contest for no consideration (no entry fee), alternate entry methods will be allowed. Furthermore, a promoter/sponsor may give additional entries into a contest for each purchase of services, goods, wares or merchandise as long as the promoter/sponsor provides an alternate method of entry requiring no purchase. The only exception is for contests offered through the mail.

Contests offered through the mail CANNOT offer additional entries based on purchases made. Furthermore, in the past, it was unclear whether a person may be required to submit a self-addressed stamped envelope (SASE) as part of a contest. This new law clearly states that a contest participant may be required to submit a SASE. Finally, all restrictions on grocery stores were removed.

#### **WAC 230-46-010** **Purpose.**

This rule references the current RCW governing promotional contests of chance. Therefore, a

housekeeping change will be made to reference the new law.

#### **WAC 230-46-020** **Definitions.**

The specific methods allowed for a person to enter a promotional contest of chance were listed in RCW 9.46.0355, which has been repealed. The new law simplifies the requirements that currently govern these contests.

This rule is up for repeal because “promotional materials” and “perusing promotional materials” are no longer referenced in the law. Furthermore, “lottery” is already defined in RCW 9.46.0257 and promotional contests of chance is defined in the new law and does not require definition in a rule.

#### **WAC 230-46-025** **Telephone charges – Valuable consideration.**

#### **WAC 230-46-070**

Punch boards/pull-tabs and pull-tab dispensing devices not to be used in promotional contests – Exception.

Housekeeping: The reference to the RCW 9.46.0355 requires updating of these two rules to reflect the new promotional contests of chance law.

#### Unlicensed, Members-Only Credit Union Raffles

#### **WAC 230-02-161** **Bona fide nonprofit organization defined.**

**During the 2000 Session, legislation passed enabling credit unions to conduct unlicensed raffles among members of their organization. This amendment to the law became effective June 8, 2000.**

This change adds language to include credit unions as a charitable/nonprofit organization,

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but only for purposes of conducting unlicensed raffles as set forth in RCW 9.46.0315.

**The following rule was up for final action at the October meeting. The Commissioners held it over for further discussion. It will be up for final action again in November.**

**WAC 230-04-330**

**Changes of management.**

This rule was held over for further discussion to clarify exactly which changes in management employment should be reported to the Commission. Currently, this rule requires all changes in management positions to be reported to the Commission. This enables staff to conduct background investigations on people involved in the management of a gambling operation.

This amendment specifically lists which positions must be reported to the commission when changes are made to the management structure. By listing specific positions, redundancies are removed. For example: charitable and nonprofit organizations will no longer have to report management changes of individuals that are already licensed as a charitable or nonprofit gambling manager. A licensed charitable or nonprofit gambling manager has already passed a background investigation and is authorized to manage gambling activities. Therefore, there is no need to notify staff so that another background investigation can be conducted. Furthermore, the amendment streamlines and clarifies requirements so licensees can more easily understand them.

**The following rules were Up for Discussion at the October meeting and will be up for final action in November.**

Bingo Net Return Task Force Rules Package  
(There was extensive discussion about further simplifying net return compliance at the

October meeting. See related article in this edition of the newsletter by Sherri Winslow on this topic.)

For the past several years, gambling proceeds have declined for charitable and nonprofit organizations. As a result, bingo operators have experienced difficulty meeting their net return requirements (the amount of gambling monies that are returned to an organization's stated purpose). Therefore, at the request of the industry, a Bingo Net Return Task Force was formed to study the issues and concerns facing these organizations.

Task force members determined that the current rules dealing with net return requirements for these organizations were too strict and complicated. This resulted in a study of the net return rules along with discussions on ways to streamline them. After two years of work, the task force has developed this rules package which makes compliance with net return and significant progress requirements easier to work with for both licensees and staff.

**WAC 230-04-260**

**Effect on exceeding license class income limit – Procedures – Penalties.**

This rule sets out the procedures for organizations anticipating they will exceed their gross gambling receipts limits. Changes were made to reference the new limits for gross receipts and prizes paid. Furthermore, this rule references other rules in this package which are up for repeal, therefore, those references have been removed.

**WAC 230-08-255**

**Bona fide charitable or nonprofit organizations—Significant progress required—Procedures—Exception.**

The formula licensees use to determine if they have made significant progress towards supporting their stated purpose has been

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simplified. Currently, the assets an organization purchases with its gambling income are used in the significant progress calculation. When an organization doesn't separate gambling related assets from other nongambling related assets, there are additional reporting requirements and a separate formula to determine which assets will be considered gambling related assets. The task force simplified the significant progress formula. Now gambling income, rather than assets purchased with gambling income, will be used in a new significant progress calculation. Housekeeping changes were made throughout the rule to provide better clarity in significant progress requirements.

Finally, an organization's non depreciable assets will now be considered part of its program services, if the purchase is program related. This allows organizations whose primary purpose is supporting programs with non depreciable assets to comply with significant progress requirements.

#### **WAC 230-20-059**

##### **Minimum net return required for bingo games—Prize and expense limitations—Maximum gross gambling receipts.**

This amendment re-structures the net return rates to a blended rate. The new blended rate table provides a reduced net return requirement for bingo licensees. The positive cash flow requirements for organizations are also clarified and easier to understand. Furthermore, certain rental income can now be added with the combined net income in the net return calculation. This change lowers the net return requirement and makes it more flexible through use of the blending process.

#### **WAC 230-20-062**

##### **Minimum net return from bingo games – Sanctions.**

Currently, bingo operators who fail to meet their net return requirements are subject to a license

reduction. Prior to the license reduction, licensees may request a waiver from the director, who reviews the licensee's case to determine if they can meet net return requirements in the future. This process has now been simplified. Now the first time a licensee fails to meet their net return requirements, its prizes paid out will be limited (limitation amounts are set forth in the rule). If the licensee fails to meet its net return for a second year, their gross gambling receipts will be limited; and in the third year, gross gambling receipts will be further limited.

The length of time an organization can operate with a negative cash flow, without being subject to administrative action, is now set at a maximum of any two consecutive calendar quarters. An additional change was made to eliminate portions of the reporting requirements for organizations determined to be out of compliance. Requirements for organizations petitioning for relief from net return requirements has been simplified.

#### **WAC 230-30-052**

##### **Punch boards and pull-tabs operated by charitable or nonprofit organizations – Net income required.**

Housekeeping: This rule references Table 1 in WAC 230-20-059 which has been changed to a Blended Rate Table. Therefore, the reference to the new table was incorporated into this rule.

#### **WAC 230-50-010**

##### **Adjudicative proceedings – Hearings.**

Net return variances are no longer a part of the net return process; therefore, subsection (g) has been eliminated. Now, licensees that fail to meet their net return and/or significant progress will proceed to an adjudicative proceeding (subsections (g) and (h)), rather than request a variance.

#### **REPEALERS**

#### **WAC 230-02-362**

##### **Primary market area defined.**

*(Continued on page 15)*



*(Continued from page 14)*

**WAC 230-02-364**

**Secondary market area defined.**

**WAC 230-02-366**

**Impact market area defined.**

**WAC 230-02-530**

**Circumstances outside the control of the licensee – Defined.**

**WAC 230-02-535**

**Permanent interruption of customer flow – Defined.**

**WAC 230-02-540**

**Temporary interruption of customer flow – Defined.**

These six definition rules are recommended for repeal since they relate to the variance rule (WAC 230-20-060 below), which is also recommended for repeal.

**WAC 230-20-058**

REPEALER

**Temporary moratorium for complying with net return requirements.**

This rule was passed in January 1999 to allow licensees who were not in compliance with their net return requirement a moratorium from a mandatory license class reduction. During this moratorium period, the Bingo Net Return Task Force studied the issues relating to net return requirements.

When this rules package is passed, a moratorium will no longer be needed; therefore, this rule is up for repeal.

**WAC 230-20-060**

REPEALER

**Petitioning the director for a variance from net return requirements.**

This rule sets forth the requirements for licensee to seek a variance from the director when they are not in compliance with the net return requirements. This rule is recommended for repeal since the new blended net return rates are at a level that eliminates the feasibility of a variance as an alternative.

New Marketing Schemes for Pull-Tabs

During meetings with the Bingo Net Return Task Force, new marketing schemes for pull-tabs were discussed as a way to promote business for the bingo halls. This rules package is a result of the task force meetings.

**WAC 230-30-033**

**Hold pull-tab series – Definitions – Restrictions.**

This new rule authorizes a secondary element of chance to be included in hold pull-tab series. Each hold pull-tab series will contain an opportunity to advance to additional rounds of play for additional prizes. Each licensee will post house rules that set forth how the winner of the secondary element of chance will be selected. The requirements and restrictions for this game are set forth in this rule.

**WAC 230-30-036**

**Strip pull-tab series – Definitions – Restrictions.**

This new rule authorizes two, three, four or five pull-tab series to be combined into one series, known as a strip pull-tab series. Each series included in a strip pull-tab series will appear separately under perforated “windows” on the strip pull-tab. All of the series included in a strip series may be combined onto one flare, or each series may have its own flare. The requirements and restrictions for this game are set forth in this rule.

House Rules

**WAC 230-20-010**

**Disclosure of prizes and rules.**

This rule sets forth what a licensee must post in its house rules. This amendment clarifies that

*(Continued on page 16)*



*(Continued from page 15)*

a bingo operator's house rules cannot be structured in a way that would make a valid bingo invalid. Prizes must be paid to all valid bingo winners.

**Rule Up for Discussion and Possible Filing at the October meeting.**

The following rule was up for discussion in October; however the petition was denied when several other issues were raised by the petitioner. Staff felt that there is a need to look further into player supported jackpot disbursement and will be drafting rule amendments to address their concerns and hopefully Mr. Taylor's concerns at the same time.

Petition for Rule Change – Submitted by Lee Taylor

**WAC 230-40-610  
Player-supported jackpots – Restrictions – Manner of conducting – Approval.**

Mr. Taylor has submitted a Petition for Rule Change requesting that WAC 230-40-610 be amended so that player-supported jackpot (PSJ) funds are only distributed back to players in the event a gambling establishment closes or a PSJ is discontinued. He does not feel licensees should have the option of giving the prize money to the Washington State Council on Problem Gambling (WSCPG). Currently, when a PSJ is discontinued or a business closes, licensees have the option of disbursing PSJ funds to either the WSCPG or returning funds to players through a tournament.

WAC 230-40-805 (3) requires house-banked progressive jackpot prizes to be returned to players in the event a business closes or discontinues a jackpot. This rule does not give licensees the option of giving jackpot funds to the WSCPG. Furthermore, this rule states that players have a vested interest in jackpots and requires licensees to notify players ten days

prior to closing its card room or discontinuing a progressive jackpot game. Mr. Taylor's petition mirrors the language in WAC 230-40-805.

A typical house-banked card room will discontinue a jackpot and replace it with a new jackpot. In this case, there is time to notify players of a tournament to disburse the discontinued jackpot. However, if a poker PSJ is discontinued, it is typically due to the poker room going out of business. In this case, it would be difficult for the card room to stay open in order to conduct a tournament to return jackpot funds to players.

Earlier this year, Mr. Taylor submitted a similar petition, which was heard at the July meeting. At the meeting, the Commission felt that adopting Mr. Taylor's Petition would have a large impact on staff and licensees; therefore, the Commission denied the Petition. Mr. Taylor was unable to attend the July meeting to answer questions regarding his petition. Mr. Taylor feels that the Commission may have misunderstood the intent of his first petition and has therefore, submitted a second petition. ?



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## Rules Note...



On the following pages of this newsletter are the rules that were passed at the October Meeting. They will become effective on the date listed on each rule.

Please remove the attached rules from the newsletter and place it into the appropriate section of your rules manual as required by WAC 230-12-080.























































## Operational Questions/Regional Offices

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\* Call the closest regional office listed above

**Washington State Council on Problem Gambling  
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